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Provincial Entrepreneurs in Philippine Crafts

Rosanne Rutten



Throughout the Philippines, the commercial middle class is gradually expanding on the level of provincial capital, municipal town, and village. The entrepreneurs who form this class take part in the continuing commercialization of the rural and urban economies, and profit from it. They mostly handle the upward trade of agricultural produce and the downward trade of agricultural inputs and factory-made consumer goods (e.g. Dannhaeuser 1983; Fegan 1989; Wolters 1989). They are brokers between city and countryside, and are profitable thanks to their city-countryside links.

A little-known category in this rising entrepreneurial class consists of traders and manufacturing entrepreneurs in the country's expanding crafts.¹ Important manufacturing industries based on household or workshop production, and geared to the domestic or export market, are concentrated in several Philippine provinces. The embroidery industry in Batangas, garmentmaking in the provinces around Metro Manila, *abaca* crafts in Bicol, and mat-weaving in Aklan, are but a few examples. These industries employ thousands of workers at home or in small workshops, and also involve hundreds of entrepreneurs at the level of village, town, and provincial capital.

Many of the larger entrepreneurs² do not belong to the established landed elite, but share with the smaller craft entrepreneurs a small-farmer or small-trader background. Overall, we can speak of an increased socioeconomic mobility through crafts, which results in an expanding middle class in areas specializing in craft production. The success of these entrepreneurs depends, however, on the continuing

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poverty and consequently cheap labor of the mass of workers and independent artisans.

Here I will discuss the rise of provincial crafts entrepreneurs and illustrate the trend with two case studies: subcontractors in the export-oriented *abaca* crafts industry in Albay, and traders in the hat-and mat-weaving industry in Aklan, which is geared to the domestic market.

Expansion of Philippine Crafts

Important commercial crafts existed in the Philippines in the eighteenth and nineteenth centuries, such as the textile industries in Iloilo and Ilocos. Some were controlled by local entrepreneurs who subcontract the work, others by local independent traders. Many industries declined in the nineteenth and twentieth centuries as a result of competition by factory-made goods (Resnick 1970). In the twentieth century, however, expansion took place in four craft sectors: native crafts for the domestic market which did not suffer competition from factory-made goods, such as the production of mats and wooden furniture; production of "modern" goods for the domestic market, like garments and shoes, in small workshops or at home; native crafts for export, using local raw materials like rattan, bamboo, and *abaca* fiber; and production for export mainly of garments and embroidered articles.

Conditions favorable to the expansion of the domestic-oriented industries were population growth and the commercialization of the economy, which increased domestic demand. The rapid rise of export crafts was due to an increase in Western demand for tropical giftware, the spread of international subcontracting, and the export-oriented industrialization policy initiated by the Marcos administration in the 1970s. An important precondition for this expansion was that small production units in villages and towns were still viable for the manufacture of a range of consumer goods. It is this feature that accounted for the ramified networks of provincial traders and subcontracting entrepreneurs that link small producers to wider markets.

Production usually takes place in rural areas or small towns because of a local supply of raw materials and/or of cheap, underemployed labor. Production units remain small because there is little financial incentive, or opportunity, for entrepreneurs to mechanize

production and/or concentrate production in large factories. Native crafts and the manufacture of garments, shoes, and furniture, therefore, remain highly labor intensive, often using only simple machinery like sewing machines. Furthermore, manufacturing entrepreneurs may recruit large numbers of workers by means of the subcontracting system, while keeping production units small. Subcontracting has obvious advantages for entrepreneurs. It enables them to lower costs and risks by minimizing overhead costs, circumventing labor laws, and recruiting and discarding laborers according to their needs (cf. Pineda-Ofreneo 1982).

By the 1970s, about one million people in the Philippines were engaged in crafts as self-employed producers or wage workers, mainly women in rural areas. They constituted about two-thirds of the total industrial labor force in the country (Anderson and Khambata 1981, 9; World Bank 1976, 23). Generally, their earnings were among the lowest in the realm of self-employed work and wage labor. Apparently, the lowest income was earned by domestic outworkers, and by self-employed producers in domestic-oriented crafts using very simple tools.

Figures on the total number of craft entrepreneurs are not available, but cases of several industries may give an indication. In Cebu province in the 1980s, around 250 shellcraft enterprises produced shell necklaces for export, employing around 10,000 home workers and workshop laborers (Mojares 1986, 184). Cebu also counted about 200 export-oriented rattan furniture firms, which employed laborers in factories, but also subcontracted to small workshop owners (Aguilar and Miralao 1985a, 42). In the Cebuano town of Minglanilla alone, seventy-two entrepreneurs with a small workshop produced, in the 1950s, garments for the regional market (Arens 1960, 59). Around 2,000 manufacturers were involved in the export-oriented garment industry in Metro Manila and surrounding provinces. They subcontracted production to thousands of small, mainly provincial, entrepreneurs. Together, they employed some 660,000 workers, most of whom were female home sewers (Pineda-Ofreneo 1982, 284). Some 2,000 shoemaking workshops in Marikina and Quezon City produced shoes and slippers for the domestic market, employing workshop laborers and home workers (Sinay-Aguilar 1983, 48-49). In the villages of Tanay, Rizal, some 500 small entrepreneurs each with his own woodworking workshop produced on order for construction firms and other clients in Manila (Benig-Gatchalian 1984). Albay province where an estimated forty exporters subcontract handicraft

production to hundreds of small entrepreneurs based in the province's towns and villages may serve as a last example (Rutten 1990, 208).

The expansion of crafts is accompanied by several notable trends. First, the number of craft entrepreneurs increases at all levels, from village to national capital, in those industries that experience a growing market. Craft production provides (new) opportunities for local profit accumulation. When large workshops predominate, as in the manufacture of rattan furniture, this expansion is mostly limited to the provincial capital, where large manufacturers-exporters and domestic traders are based. When household industries and small workshops prevail, this expansion also takes place in towns and villages where subcontractors, independent workshop owners, and traders are concentrated.

Second, Filipinos now rank among the largest craft entrepreneurs. In the early twentieth century, Chinese traders still dominated the surviving handloom weaving industry, and American business houses or private American merchants controlled the newly expanding export crafts. The Filipinization of the handicraft export trade was fostered by a growing competition among foreign buyers, who began to deal with Filipino entrepreneurs close to the source of production in order to lower their costs.

Third, provincial entrepreneurs are now better able to extend their trade links "from the bottom up" and so expand their enterprise. They may succeed in bypassing traders further up the trade chain and make direct contact with key wholesalers. So it may happen that a handicraft exporter from Aklan opens a liaison office in Los Angeles, USA, and that rattan furniture manufacturers from Cebu travel yearly to the American State of North Carolina to attend a major furniture trade fair (Rutten 1990, 166; Aguilar and Miralao 1985a, 101). Successful village entrepreneurs, on their part, may be able to bypass traders at the level of town and provincial capital, and sell direct to wholesalers in Manila or regional trade centers. What enables entrepreneurs to make these links are not only the improved level of education, infrastructure, and communication in the provinces, which facilitate social contact with higher-ups in urban centers. Of importance is also the ease of entry into the relevant trade networks, a point that will be further elaborated below.

Finally, women appear to hold their ground vis-a-vis men as manufacturing entrepreneurs and traders on all levels of craft industries. Female entrepreneurs are prominent in crafts that are carried

out by women: embroidery, garmentmaking, hatweaving, matweaving, and in crafts that are carried out by women as well as men, like abaca fibercraft. Male entrepreneurs predominate in crafts that employ male labor, like furniture-making, and woodcraft. Women are active in the export industry too, and they are well represented in the category of handicraft exporters. In the early 1980s the president of the Philippine Chamber of Handicraft Industries was a woman.

Entrepreneurial Opportunities and Market Developments

Carol Smith (1977) suggests several factors that contribute to rural commercial entrepreneurship. In the context of the present study, we may summarize them as an increasing demand for goods made by small rural producers, which contributes to competitive trade, and a corresponding absence of large urban traders who monopolize trade and transport facilities. Given a rising demand and intensifying competition, traders at each level try to gain a secure hold on supply by attracting lower-level traders to supply the desired goods. This gives villagers and townfolk the opportunity to become lower-level traders for wholesalers in regional or national market centers, and so to bridge the gap between small producers and large traders. Under favorable conditions, these lower-level traders may expand their trade and move their way up the trade chain. The final factor in the development of rural entrepreneurship is an easy access to large wholesalers by village- or town-based entrepreneurs, both in social terms (wholesalers are approachable) and in terms of infrastructure and communication.

Relevant to the last two factors is the aspect of "economic personalism" (Anderson 1969) that characterizes entrepreneurship in Philippine crafts. As Anderson notes for Philippine entrepreneurs in general, economic success depends to a large extent on developing personal relations of loyalty and trust with economic partners, given the absence of written contracts and official means to enforce commercial agreements. In Philippine crafts, trade and subcontracting are based on highly personalized economic networks. These are open to new entrants as long as the market is expanding, with entrepreneurs at each level trying to expand their clientele of suppliers or buyers.

At this point we should provide an explanation of the growing market for some craft industries. Domestic demand for mass consumer goods has vastly increased in the course of this century with the commercialization of the economy and high rate of population

growth. Since the majority of the population is poor, its demands center on cheap consumer articles which it can afford, such as sleeping mats, simple wooden furniture, slippers, and low-priced clothes and shoes. Many of these goods are made by small producers who are either independent or who produce goods under the subcontracting arrangement. The growing demand for these goods has led to regional specialization in the form of an agglomeration of many small producers manufacturing the same type of product. These centers of small-scale production are located close to sources of raw material (like the matweaving industries of Aklan and Samar) or close to regional market centers (like the garment industries of Cebu and Metro Manila). They supply rural and urban markets.

Most dramatic is the increase in urban consumer demand, owing to the growth of cities. The number of small entrepreneurs catering to urban consumers increases as a consequence. For instance, in the municipality of Lumban in Laguna, which specializes in the manufacture of hand-embroidered barong tagalog and wedding gowns, the number of entrepreneurs "has grown very large in recent years" due to a rising demand from Manila department stores and tourist stores (Aguilar and Miralao 1985b, 88). Parallels can be drawn with urban demand for agricultural products. Increase in this demand, too, has "led to the emergence of medium and small entrepreneurs and traders" in areas of production, such as rice millers and traders, and owners of warehouses and trucks, as Wolters noted for Nueva Ecija (Wolters 1989, 62).

The rise in urban demand may also improve opportunities for enterprise expansion. This is exemplified by the suppliers of Shoemart, the large Manila-based department store corporation. Shoemart has successfully channeled and stimulated the demand for garments and shoes among Manila's consumers from the 1960s on. To a large extent it satisfies this demand with the products of small and medium-scale producers. At present, a roughly-estimated 5,000 enterprises in Metro Manila and surrounding provinces supply the department store. The volume of orders increases as demand grows. Thus, Shoemart (SM) "became the forerunner for the entrepreneurial hustle that saw the transition of thousands of small-time industries from humble beginnings to big business. Many of its suppliers swear they made their first million from SM" (Corotan 1990).

Concerning exports, Western demand for manufactured goods has increased from the 1970s onward. Consumer goods made of natural materials became fashionable in Western countries, and demand

increased for articles like rattan furniture, placemats made of *buri* palm leaf, and shopping bags made of *abaca* fiber. Moreover, faced with rising wages in their own countries and consequent rising prices, Western demand for cheap consumer goods like garments is expanding. In the 1970s, the Marcos administration began to actively encourage labor-intensive, export-oriented industries. These industries do not only comprise electronics and garment manufacture concentrated in factories in the newly established Export Processing Zones. They also include garmentmaking on a subcontracting basis in rural areas (using imported materials) and native handicrafts, carried out in workshops and household industries (using local raw materials). By 1983, the export value of garments totalled \$542 million, and the export value of handicrafts (including embroidery, and excluding garments) around \$500 million (NEDA 1984, 412-13; Nacida statistics n.d.). Both ranked among the country's top five export industries in 1983. The export crafts depend, however, on the whims of fashion, and demand may fluctuate sharply.

Thus, the expanding market, combined with competitive trade, an easy access to trade networks based on economic personalism, and a continuing profitability of small-scale production, help explain the rise of provincial entrepreneurs in a number of manufacturing industries.

Despite the continuing poverty of the majority of people involved in the industries, most crafts provide relatively good opportunities for socioeconomic mobility for persons with little capital. Small-scale buy-and-sell traders of craft products may develop into larger traders or subcontracting entrepreneurs, based either on a slow accumulation of profits or on advances by wholesalers. In the handloom weaving industry of Baguio, for instance, entry into entrepreneurship started with "the marketing of a few hand-made products" (Aguilar and Miralao 1985c, 48).

Workers in a subcontracting arrangement may become low-level subcontractors, as the case below about Albay suggests. They may start as agents of subcontractors who supply exporters, and develop into suppliers themselves. The advance payment system is important in this respect. Subcontractors are able to start with few resources of their own, since raw materials and working capital are partly or totally advanced by the key entrepreneur. They may accumulate capital of their own on the basis of their commission-income.

Finally, workshop laborers may be able to set up a workshop of their own after they have acquired the skills, made some commer-

cial contacts, saved a little, and gained access to the necessary equipment on a credit basis. For instance, in the domestic garment industry in Cebu, a number of seamstresses worked their way up to become independent workshop owners or subcontractors (Arens 1960). Similarly, in sectors like woodworking, wooden furniture making, jewelry manufacture, cutlery production—crafts based on workshops and the apprenticeship system—craftsmen-apprentices set up their own workshop after some time and became independent small entrepreneurs (*Business Day*, 1 Aug. 1984 and 19 Sept. 1984; Loria 1983).

Aspiring entrepreneurs consider the mode of payment crucial. Apparently, all prefer advance payment. Partial or full payment in advance by wholesalers or subcontracting entrepreneurs may enable a poor person—a home worker, independent artisan, or small-scale trader—to enter the business and expand. Expansion may then be based on an increase in advance pay and on an accumulation of profits as volume of production or trade increases. These conditions prevail in subcontracting crafts, in particular in native crafts for export and in garmentmaking.

Circumstances are less conducive to upward mobility when payment is cash on delivery or some time after delivery. Entrepreneurs who seek to rise above the level of village agents then need capital of their own. The expansion of their enterprise depends on their accumulated profits. They can only supplement their capital with a bank loan when they have acquired some property. This situation is common in many crafts that cater to the domestic market and that are not based on subcontracting.

The following case studies illustrate the processes of socioeconomic mobility and provincial entrepreneurship in two handicraft industries.³

Export Crafts From Albay

The export craft of Albay province in the Bicol region is a highly differentiated manufacturing industry based on rural wage labor. It produces placemats, shopping bags, and other "giftware," mainly from the fiber of the abaca palm ("*Musa textilis*"). The craft workers are subcontractual workers and workshop laborers. The entrepreneurs are manufacturing entrepreneurs rather than traders.

Whole villages are specialized in tasks like twine making, weaving *sinamay*, making macrame bags, and embroidering baskets. Entrepreneurs on the level of village and town (suppliers/subcontractors who

produce on order for exporters) recruit this labor, supply raw material, pay wages, and assemble the products. They are directly responsible for manufacture and bear part of the risks. They invest in looms and sewing machines, and construct workshops. At this level, large amounts of capital goods have accumulated. These entrepreneurs supply exporters—most of whom are based in the provincial capital Legazpi City—who scout for export orders, decide upon designs, and have the goods assembled, labelled, and packed. The exporters invest only in packaging workshops and warehouses, and advance working capital to their suppliers.

Most suppliers depend on one exporter not only for orders, but also for operating capital in the form of advances. Their starting capital often consists of these advances, and their capital investments are based on accumulated profits.

Some forty handicraft exporters were based in the provincial capital Legazpi City in the 1970s, when handicraft exports from Albay peaked. They recruited hundreds of local suppliers who in turn employed tens of thousands of home workers and laborers in workshops. The boom in abaca craft production was triggered by Japan's "Trade Expo '70" held in Osaka, where Philippine abaca bags were among the goods exhibited. After foreign demand for abaca crafts dropped in the late 1970s, demand picked up again in the 1980s. The value of craft exports from the Bicol region as a whole (including products made of materials other than abaca) was \$1.26 million in 1968, \$10.85 million in 1976, \$12.95 million in 1979, and \$9.60 million in 1983 (figures from the NACIDA Regional Office in Legazpi City).

Abaca craft exports have not been monopolized by the most capitalized foreign merchant houses with a branch office in Manila. Rather, the tendency has been one of a proliferation of local Filipino exporters. The first large exporters of abaca crafts were established foreign merchant houses like Smith, Bell & Co., whereas at present most of the output is exported by family firms in Albay. This may be so because of the relative ease of entry into the abaca craft export business, and the tendency of foreign buyers to deal with the actual manufacturing entrepreneurs close to the source of production in order to obtain low prices. The majority of Albay exporters are based in Legazpi City and neighboring Daraga. They include members of immigrant families from Batangas and Iloilo as well as Spanish mestizos and Chinese mestizos who traditionally form an important segment of the Albay trading elite (Owen 1984, 231).

The pioneer handicraft exporters of Albay had a trader background. They started in the 1930s by supplying knotted abaca fiber to exporters in Manila, who sold the fiber to hat manufacturers in Europe. They could profit from an abundant supply of skilled labor. Albay women traditionally knotted fiber for textile weavers, usually on a subcontractual basis, and their labor was available to new employers because of the decline of the local weaving industry. In the late 1930s the entrepreneurs ventured into the trade of burlap woven of coarse abaca fiber. Burlap was in demand as an all-round wrapping material, and was probably made by rural female loomweavers in their own homes, as it is at present. One of the buyers was Puyat and Sons in Manila, the largest Filipino furniture manufacturer at that time (Sta. Romana 1978, 10). It appears that somewhere at this stage traders began to take a more active part in the manufacturing process itself, by giving advances to suppliers with subcontractual workers.

In the 1950s, these traders-turned-manufacturers began to export burlap and abaca rugs to the United States. The rugs were a new local product, made of squares of coiled abaca braids in imitation of Chinese "grass" square rugs. Manufacturing was, again, done by subcontractual workers. This lucrative business attracted more investors.

The entrepreneurs entered the Western giftware market, where the demand for cheap tropical novelties was on the rise, by venturing into new products like abaca bags and placemats in the 1960s. They began to export to the United States, Europe and Japan. They adapted the manufacturing process to the requirements of the giftware market by setting up a highly efficient organization of production which could react quickly to changing fashions and produce new designs quickly and in large volume. Orders could reach up to half a million placemats or planthangers at a time. Large volume and rapid turnover yielded large profits.

These profits, particularly at the height of the export trade in the mid-1970s, attracted new exporters whose background ranged from landholders to professionals and businesswomen. The number of exporters in Albay increased from about ten in 1969 to more than forty by the late 1970s. Entry into the export trade was relatively easy. It was a sellers' market at the time. Exporters subcontracted production and so required only small investments in capital goods. They could contact foreign buyers by simply sending brochures and having their name listed at the regional office of NACIDA⁴ in Legazpi

City and they could rely on bank credit in the form of a "letter of credit" arrangement once they had received an export order.

The proclamation of martial law in 1972 also contributed to a swelling of the ranks of Albay exporters. As President Marcos announced land reform of rice and corn land and a stricter prosecution of illegal activities like smuggling, several persons with large landholdings or with a stake in gambling dens or smuggling activities (from Zamboanga to Albay by ship) diverted their capital to craft exports. The handicraft business was an obvious choice, since foreign demand for abaca crafts was rising rapidly at the time, and the state began to support export-oriented crafts by means of a liberal extension of credit.

Among the inexperienced newcomers were many who went bankrupt after a while, duped either by suppliers who failed to deliver the ordered products in time or left with the money advanced to them, or by foreign buyers who rejected shipments because of quality defects. These problems threatened all exporters, but the more seasoned among them gradually built up long-term contacts with trusted suppliers and several foreign buyers. One can conclude that the export craft has given rise to an important provincial business elite, which derives its wealth from direct contact with the world market.

The municipality of Malilipot, bordering the slopes of Mayon volcano some 23 kilometers north of Legazpi City, is a main center of abaca crafts in Albay. Its population manufactures bags, placemats, and hammocks for export and, to a lesser extent, for the domestic market. The municipality counts one exporter (who is also the town mayor), an estimated forty subcontractors/suppliers (who supply exporters in the provincial capital or Manila), an unknown number of agents (intermediaries between suppliers and workers), and hundreds of workers in the town and in the villages. The town alone has more than twenty suppliers, each with a small workshop adjacent to their house, where men work at looms and young women at sewing machines.

The majority of the population of 24,755 souls live in the small coastal plain which is planted with rice and coconut palms. The western hills, planted with abaca, coconut trees, and rootcrops, are more sparsely populated. Some fishing is practiced along the coast by primitive means. Besides some relatively sizeable landholders with several hectares of irrigated ricefields, most households have either a small piece of land in ownership or tenancy, or they are landless.

They are mainly cash-earning and food-buying. Their members work as farmers or laborers in the coconut and abaca fields, and labor as wage workers in crafts. Only few households have access to the yield of the small area in the municipality that is planted with rice.

The abaca goods are mass-produced by workshop laborers and domestic outworkers specializing in one part of the production process. Family teams of women, men and children make abaca fiber into fine twine, using a twinemaking drive wheel of their own. Male loomweavers weave the twine into a coarse fabric, which women machine-sew into placemats. The latter two tasks are done either in workshops (built adjacent to the subcontractor's home and containing up to twenty-five workers each), or at the workers' homes. Twinemakers work alongside roads and village pathways. Some subcontractors use the services of agents to contact outworkers in distant villages. Some of the domestic outworkers own a loom (made by local carpenters) or a Singer sewing machine. Others use equipment provided by their employer. All workers are paid by the piece. Loomweavers and sewers who work at home either use looms and sewing machines supplied by their employer or have their own. Daily earnings are very low, ranging from P4 to P9 for twinemakers, P10 to P15 for weavers, and P9 to P15 for sewers (1984). The local agricultural wage is P15 a day at that time.

One might expect that in the differentiated rural economy of Malilipot, (small) landowners became craft entrepreneurs and landless persons became craft workers. The first had some capital, the latter did not. In reality, many entrepreneurs come from the ranks of (near) landless workers and small traders. The system of advancing funds, which is an essential characteristic of subcontracting, has been the key factor in this process.

According to some authors, the subcontracting system inhibits capital accumulation among dependent small producers. The link with large-scale capital is seen as pernicious. Producers are only "conserved" in dependency for as long as they suit the interests of capitalists (e.g. LeBrun and Gerry 1975). Others note, however, that middlemen-subcontractors may accumulate and gain independence from their previous advance-givers under favorable circumstances, as the case of Japan suggests (Schmitz 1982, 437). One may add that even subcontracting workers may be able to accumulate capital, even though their wages are extremely low. Scott Cook (1984), in his study on subcontracting crafts in Mexico, introduces the term "endofamilial accumulation" to denote the process of capital accumulation that

is made possible by the contribution of unpaid family labor. Through this process "some dependent outworkers achieve independence from (subcontracting) putters-out and then, after a period of endofamilial accumulation, become putters-out themselves" (Cook 1984, 29; 35 n. 16). One might argue also that paid labor by other household members may enable a household to accumulate at least part of its income from crafts. Capital accumulation on the basis of joint income of household members has been important in the upward mobility of several craft workers in Malilipot.

The rise of entrepreneurs in the abaca craft in Malilipot took place in two waves. The first entrepreneurs were apparently small landowners/traders with capital of their own, who started in the 1940s and 1950s as traders in rope, twine, and textile made of abaca. They became subcontractors who supplied fiber to twinemakers, and gradually invested in looms and sewing machines as the market for woven twine, placemats, and other abaca products expanded. They became subcontractors for handicraft exporters.

The export boom of the 1970s gave rise to a second wave of entrepreneurs, many of whom were originally twinemakers, workshop workers, or domestic outworkers. These recent subcontractors profited from the fact that exporters competed heavily among themselves for labor and began to recruit new subcontractors on a massive scale by means of advances. With an initial advance pay of 25 to 50 percent, new subcontractors could buy abaca fiber and recruit domestic outworkers. With the payment they received for their weekly deliveries to exporters they could finance production in the weeks that followed.

They had an added advantage compared to the early entrepreneurs. They could start by recruiting outworkers who owned a loom or sewing machine of their own—a legacy of the first entrepreneurs who invested in capital goods and enabled workers to buy the machines on installment. Moreover, they could buy sewing machines on installment from retailers in the nearby market town, and purchase looms cheaply from local carpenters. Some even managed to buy abaca fiber on credit from fiber traders. In their interest, too, was the practice of their predecessors of paying loomweavers and sewers only at the end of one or more weeks' work. The workers, then in fact, provided them, "credit" as well. As a source of starting capital, banks were negligible.

In the village of Santa Teresa, for instance, five suppliers were of a landless worker background (women were twinemakers or sew-

ers at a workshop, men were loomweavers or workers at a store). The seven other village suppliers had resources to start with: some abaca land or rice land (a hectare or more), a trade in twine (combined with landownership), or a store at the market. Several inherited capital or contacts from their supplier-parents.

Rising from worker to subcontracting entrepreneur usually involved several stages of accumulation:

Endofamilial accumulation. A worker buys on installment a sewing machine or a loom and becomes an independent outworker. This allows her to produce for several subcontractors and so secure work year-round. She can shoulder the installment payments if the combined income of her household's members yields a small surplus (resembling the process of "endofamilial accumulation" as expounded by Cook [1984, 29]).

Employment of wage labor. Her next step is to become an agent of one of her subcontractor-employers, on the basis of advances. By recruiting other outworkers, she starts to accumulate capital in the form of a commission of ten percent or more. Gradually she is able to buy more capital goods and set up a workshop of her own. By making direct contact with an exporter and proving that she can deliver in volume, she may become a full-fledged subcontractor. The rewards are a higher commission, higher advances, a larger volume, and therefore a larger profit. The rapid turnover adds to the rate of accumulation.

Lack of collateral and reluctance to go into debt with an official banking institution as long as their enterprise was still in a trial and error phase, may have deterred new entrepreneurs from making use of bank loans. Once firmly established, many entrepreneurs did borrow from the local Rural Bank, to construct a workshop or a house.

Despite their dependence on orders and capital from exporters, the subcontractors are thus able to accumulate capital of their own. They invest their profits in their handicraft enterprise (workshop and machinery), in a new house, farmlot, and higher education for their children. Several also invested in a passenger jeep or bus for commercial use, which eventually became a burden because of rising costs of gasoline and spare parts. A number of male entrepreneurs entered politics and became mayor and vice-mayor, no doubt supported by their capital and their wide network of agents and craftworkers. This successful venture into politics by some craft entrepreneurs is one more sign of the rise of a new municipal elite on the basis of the export craft.

Hat and Mat Weaving in Aklan

In the weaving industry of the municipality of Nabas in Aklan province, village-based traders—not urban traders—presently dominate the wholesale trade and operate as the main risk-taking entrepreneurs. The municipality of Nabas, located some forty kilometers west of the provincial capital Kalibo, counts around 3,000 weavers of hats and sleeping mats in a total population of 18,242 (in 1983). The weavers are self-employed artisans who produce standardized goods for poor consumers regionwide. They belong to households of rice and copra producing smallholders, tenants, and landless workers, who make up the bulk of the population. The female weavers plait the goods in their own homes. Children help in weaving, some husbands help in pounding the raw material to make it pliable. The weavers use the leaves of the *bariw* palm (*Pandanus copelandii*) which they cultivate themselves or buy at a low price from local small farmers in the nearby hills.

Their products are somewhat coarse, low-priced goods which they sell weekly to traders at their own homes or in the town market. The hats and mats are destined for a large domestic market that reaches from Manila to Mindanao. A chain of traders links weavers with consumers—mostly poor consumers who buy the products at urban markets or periodic rural markets. Demand for mats in particular has steadily increased in the course of this century with the growth of the population, of which a large part is still too poor to afford foam mattresses.

The industry depends on the cheap labor of village women. The net income of a full-time weaver averaged around P5 a day in 1984, way below the daily wage income of an agricultural laborer. They need to weave, simply because the earnings are necessary for the subsistence of their household. Most village households depend on the combined earnings of weaving, wage work, the produce of their land if they control any, and self-employed work like buy-and-sell and gathering firewood for sale.

The marketing of hats and mats is based on personalized trade relations that link weavers with traders, and traders with (other) wholesalers at the level of village, town, province, and region. Nabas counts nine wholesalers, most of whom live in a village and not in the poblacion. They are pivotal to the craft trade. They supply most of the capital and seek new markets. They purchase from village buyers and sell direct to central market wholesalers in Kalibo, Iloilo

City, Roxas City, and Manila, or to market retailers. They are the *capitalistas* of the trade. Many supply cash advances to village buyers, but sell for cash or on consignment to wholesalers further up the trade chain. They transport the goods and bear most of the risks. Average volume per wholesaler is around 300 to 800 mats, and 200 to 600 hats a week.

Wholesalers depend on village buyers in all weaving villages to collect the goods at the weavers' homes, since weavers live scattered over a wide area. There are approximately sixty village buyers in Nabas. Most trade in small volume (10–30 mats, 100–200 hats a week), some in larger volume (more than 100 mats or 500 hats a week). The majority of village buyers, and a little over half of the wholesalers in Nabas, are women.

In the early twentieth century, the first Nabas traders (mainly village-based) sold their products at the marketplace of Nabas to wholesalers from Kalibo. As the industry expanded in the 1950s, traders in Nabas were gradually able to transport the goods to the central markets of Kalibo, Roxas City, and Iloilo. Kalibo traders lost their predominant role in the hat and mat trade. Nabas wholesalers now control about seventy percent of the flow of hats and mats out of Nabas. Their personal trade networks reach from the most distant village weavers to central market traders in provincial and regional capitals.

That village-based traders in Nabas are currently the main wholesalers and risk-takers in the trade is related to the ease of entry into the relevant trade channels. The trade in hats and mats takes place through a network of central markets and rural periodic markets, each with its own traders specializing in crafts, and with traders in central marketplaces who simultaneously function as wholesale distributors. It is part of what Carol Smith (1976, 354) calls an "interlocking central-place system" marked by "competitive, redistributive trade in rural environs, articulated by high-level market towns." In such an arrangement, where trade channels are not monopolized by established classes, "any entrepreneur with capital enough can exploit the opportunities that come his way" (Smith 1976, 355).

Nabas traders simply approached central market wholesalers personally (with an introduction by an acquaintance, when necessary), started with trial supplies, and when both parties felt they could trust each other, the contact became a regular trade relation. Important, too, was the fact that Nabas entrepreneurs gradually accumulated more capital as their trade volume expanded. Furthermore,

improvements in the road system and in mail and telegram services, and an increase in the number of buses and jeepneys on the provincial roads facilitated contact between Nabas and Kalibo.

The first mat traders in Nabas were, apparently, rice cultivators who used their rice surplus as trade capital by advancing weavers rice in return for mats. More recent wholesalers and large village-buyers were originally small-scale village traders or cultivators. None was born into a large landowning family. Those who presently own up to four hectares of rice land accumulated this land on the basis of their craft trade and other ventures. (The old landowning families that live in the poblacion and own several hectares of rice land invest mainly in a professional urban career for their children rather than in trade).

Most of the small buyers use their profits for daily household expenses, regardless of whether they use capital of their own or capital advanced by a wholesaler. Their backgrounds are diverse, ranging from landless households with remittance-income to small and middle-sized cultivators. Some small buyers who operate with their own capital do accumulate capital by combining their earnings in the crafts trade with income from other sources like land, wage labor or other trade, and are able to expand their crafts trading venture. Several of the present larger village buyers started out this way. On the whole, however, small village buyers earn an income of only P10 to P25 per day during the approximately two days a week they spend on the trade, income that equals the daily earnings of an agricultural wage worker and a carpenter, respectively. Little capital, small volumes, a profit rate of ten percent, and bad debts of weavers yield little "surplus" income.

For wholesalers and large village buyers, on the other hand, the hat and mat trade may offer a good opportunity for capital accumulation besides being important as a source of income for their household. With volumes ranging from 100 mats and 200 hats to a maximum of 1,500 mats and 500 hats a week, and with a profit rate of around ten percent, incomes range from P170 to P2,300 a week, or from P85 to an exceptionally high P380 per working day (in 1984).

These larger traders invest their profits in commercial ventures besides buying consumer goods and paying for the education of their children. They either reinvest in the hat and mat trade by recruiting more village buyers, or they diversify by investing in downward trade of consumer goods and agricultural inputs (fertilizer), retail of rice, means of transportation (a jeep or bus for commercial use),

several hectares of rice land, or in a commercial fishpond. These ventures are often linked to the craft trade. Most traders accumulate capital gradually on the basis of several ventures, the profits of one adding to the expansion of another, as the following case illustrates:

A wife-and-husband trading team expanded its small mat trade by retailing rice on credit to weavers in their rice-deficient village. They thereby attracted more weavers and expanded their mat trade. They built a new house with the combined earnings, which they used as collateral for a bank loan with which they bought a passenger jeepney. The husband started to drive the jeepney daily on the Nabas-Kalibo route, which enabled him to make direct contact with mat wholesalers at the Kalibo central market. They now sell directly to central market traders and transport the mats on the jeepney's rooftop. The daily income the jeepney provides allows them to postpone sales and to stock mats when conditions favor it. Their new house contains a large storage room. They now trade 800 mats a week, which is the bulk of the production of their village. That the husband has recently been elected barangay captain is a sign of the couple's socioeconomic rise.

Since trade and other enterprise in Nabas is based on individual initiative and personal networks, and is open to anyone with capital and contacts, crafts traders can easily start a new venture when conditions are favorable. Bank loans become important only when traders have sufficient collateral in the form of a well-built house or other assets. The cheap and easy credit provided under the government KKK program⁵ in the early 1980s was an exception, and many wholesalers as well as village buyers were able to procure a KKK loan which they used, in many cases, for ventures other than their craft trade.

Apart from the villagers who successfully entered the hat and mat trade in the course of market expansion, however, there were also those who lost because of bad debts of weavers or of wholesale buyers.

Conclusion

The purpose of this article has been to draw attention to the growing number and importance of provincial entrepreneurs in Philippine crafts. This development is part of the general trend of increasing trade and commercial production in provincial towns and villages. Where producers are small-scale, local entrepreneurs proliferate. Parallels can be drawn with developments in agriculture, where in-

tensified commercial agriculture by small farmers has led to a rise in entrepreneurs at all levels, from village to provincial capital.

What explains the rise in craft entrepreneurs is an increasing demand for consumer goods which are most cheaply and efficiently made in home industries or small workshops. The increase in demand is both domestic (due to population growth) and foreign (demand for low-priced garments and tropical handicrafts). To a large extent, production takes place outside main urban centers, by independent producers or subcontractors.

The striking socioeconomic mobility within the ranks of craft entrepreneurs has to do with the competitive market and growing demand, and the easy access to networks of trade and subcontracting which are based on economic personalism. By virtue of the advance system, subcontracting may offer (poor) villagers and townsmen more opportunities for entrepreneurship and expansion than does plain trade based on cash payment.

As the two case studies have shown, successful entrepreneurs in Albay and Aklan invest not only in the expansion of their enterprise but also in passenger transportation and various types of upward and downward trade, and so become important all-round entrepreneurs who link rural and urban areas.

The subcontractors in Albay, who are manufacturing entrepreneurs in contrast to the traders in Aklan, seldom invest, however, in better production techniques or in manufacturing ventures other than crafts. Apparently, their orientation remains one of traders and "rent-seekers," interested in the circulation of goods and in activities that yield quick returns, keen on large volume and a fast turnover. Their investment behavior is marked by "commercialism" (Streefkerk 1985, 163-64), an interest in commerce rather than production. From the viewpoint of the entrepreneurs themselves, this is a sensible policy, given limited investment opportunities and the high risks involved in starting new product lines.

Notes

1. For simplicity's sake I use the term "crafts" here to indicate both household industries (of independent producers or putting-out workers) and small-scale industries (workshops with up to twenty workers). Both types are important in the manufacturing industries discussed here.

2. I use the term "entrepreneur" in the way it is used in daily language, meaning "one who organizes, manages, and assumes the risks of a business or enterprise"

(Webster). Two types of entrepreneurs are important in crafts: manufacturing entrepreneurs and traders who buy from independent craftsmen. Trade and manufacture overlap in the case of putting-out entrepreneurs.

3. For a more extended discussion of these cases, see Rutten 1990.

4. The Philippine government created the National Cottage Industry Development Authority (NACIDA) in 1962 to promote domestic crafts by providing assistance in training, marketing, and credit. It was abolished by the Aquino administration in 1987 for reasons of inefficiency and overlap with other departments.

5. The credit program called Kilusang Kabuhayan at Kaunlaran ("Program for Livelihood and Progress," or KKK) was initiated in 1981 by the Ministry of Human Settlements headed by Imelda Marcos to finance small-scale "livelihood projects" in the field of cottage and light industries, agriculture, and fisheries, that would benefit the poor. Almost one billion pesos had been allocated by June 1984. Part of the funds were dispensed through the local offices of the Ministry of Human Settlements, part through mayors and provincial governors nationwide. Criticized from various quarters as serving partisan political interests and benefitting the local well-to-do rather than the poor, and plagued by slow repayments, the program suspended further loan approvals in the second part of 1984 (Agulto 1983; *Business Day*, 17 Oct. 1984).

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